Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Text

LIMITED OFFICIAL USE

PAGE 01 NICOSI 00536 01 OF 02 241740Z
ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 SSO-00 NSCE-00 USIE-00
INRE-00 SP-02 AID-05 NSC-05 CIEP-01 TRSE-00 SS-15
STR-04 OMB-01 CEA-01 L-03 H-01 PM-04 CIAE-00 COME-00
FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01
PA-01 PRS-01 /098 W
----------241802 030460 /53
O R 241645Z FEB 77
FM AMEMBASSY NICOSIA
TO SECSTATE WASHDC IMMEDIATE 5372
INFO AMEMBASSY ATHENS
AMEMBASSY ANKARA
AMEMBASSY LONDON
USMISSION GENEVA
DIA WASHDC

LIMITED OFFICIAL USE SECTION 1 OF 2 NICOSIA 0536

STATE PASS AID NESA BUREAU

E.O. 11652: N/A
TAGS: ECON, ELAB, CY
SUBJECT: BUDGET SPEECH FOR 1977 AND PROJECTIONS ON SECOND
ECONOMIC PLAN 1977-1978

REF: (A) 75 NICOSIA 2744 (NOTAL); (B) 75 NICOSIA A-43 (NOTAL)
(C) 76 NICOSIA A-62 (NOTAL); (D) 76 NICOSIA 3711, 3880, AND 4056
(NOTAL); (E) 10 FAM 223

GOC MINISTER OF FINANCE PATSALIDES PRESENTED 1977 BUDGET
SPEECH TO HOUSE OF REPRESENTATIVES ON FEB. 22. FULL TEXT
NOT YET TRANSLATED FROM GREEK. BELOW ARE HIGHLIGHTS OF
SPEECH: (EXCHANGE RATE ON FEB. 22, 1977: ONE CYPRUS POUND
EQUALS $2.42)

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 NICOSI 00536 01 OF 02 241740Z

1. GENERAL ECONOMIC SITUATION:

(A) GROSS DOMESTIC PRODUCT (GDP) AT FIXED FACTOR PRICES
(1973) FOR 1976 SHOULD COME TO
CYPRUS POUNDS 2.42.8 M AGAINST CYPRUS POUNDS (CP) 213.3M IN 1975
AND CP 309.5M IN 1973. GDP FOR 1976 IS 13.8 PERCENT ABOVE 1975.
COMMENT: GDP FIGURES FOR 1976 AND 1975 REFLECT GREEK

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

CYPRIOT CONTROLLED PORTION OF ISLAND ONLY AND EXCLUDE
DOMESTIC PRODUCT OF TURKISH CYPRIOT NORTH. 1973 GDP
FIGURES INCLUDES DOMESTIC PRODUCT CONTRIBUTIONS OF BOTH
GREEK CYPRIOT AND TURKISH CYPRIOT COMMUNITIES.

(B) GOC BALANCE OF PAYMENTS (BOP) IS EXPECTED TO SHOW A
SURPLUS FOR 1976 OF CP 16.5M VERSUS PREVIOUSLY FORESEEN
DEFICIT OF CP17M. BOP FOR 1975 WAS CP14.3M. (SEE REF C)
COMMENT: BOP SURPLUS WAS TO LARGE EXTENT, RESULT OF HIGH
LEVEL FOREIGN LOANS AND TO SLIGHTLY LESSER EXTENT FOREIGN AID
AND REMITTANCES.

(C) FIRST (EMERGENCY) ECONOMIC ACTION PLAN FOR YEARS 1975-1976
HAD CALLED FOR GROSS FIXED CAPITAL FORMATION OF CP110M
WITH GOVERNMENT CONTRIBUTING 30 PERCENT AND PRIVATE SECTOR
70 PERCENT (SEE REF A). ACTUAL CAPITAL FORMATION FOR THE
PERIOD REACHED CP100.2M WITH PUBLIC SECTOR CONTRIBUTING CP32.5M
AND PRIVATE SECOR CONTRIBUTING CP67.7M. END COMMENT.

(D) PRICES: AVERAGE INCREASE IN RETAIL PRICES (RPI) IN
1975 FROM 1974 LEVEL WAS 4.6 PERCENT WHILE COMPARABLE
INCREASE IN 1976 OVER 1975 WAS 3.8 PERCENT.
COMMENT: PER CENT INCREASES MAY BE MISLEADING ON THE LOW
SIDE BECAUSE RPI CALCULATIONS WERE MADE USING BASKET
OF GOODS DRAWN UP BEFORE EVENTS OF 1974; BASKET MIX
PROBABLY REFLECTS INADEQUATELY PRESENT BUYING PATTERNS.

(E) UNEMPLOYMENT AT END OF 1974, 1975, AND 1976 WAS
51,000, 33,500, AND 17,000 RESPECTIVELY. FIGURE FOR
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 NICOSI 00536 01 OF 02 241740Z

1976 IS 8.3 PERCENT OF ECONOMICALLY ACTIVE GREEK CYPRIOT
POPULATION AS CALCULATED BY GOC. COMMENT: REF (D)
INFORMATION REMAINS BASICALLY CORRECT. MINISTER'S FIGURE
OF 17,000 UNEMPLOYED AT END OF 1976 INCLUDES, ACCORDING
TO GOC SENIOR EMPLOYMENT OFFICER, TOTAL UNEMPLOYED REGISTERED
WITH GOC (9,000) PLUS ESTIMATED NON-REGISTERED UNEMPLOYED
(SEASONAL WORKERS, TEMPORARY WORKERS, PERSONS CHANGING JOBS).
SHORTAGE OF LABOR IN CERTAIN SECTORS (CONSTRUCTION, GARMENT)
CONTINUES AND MAY WORSEN. END COMMENT.

(F) EXPORTS (PLUS RE-EXPORTS) FOR 1976 ARE EXPECTED TO BE
OVER CP100M, VERSUS CP56.0 FOR 1975 AND CP60.5M FOR 1973.
MINISTER CAUTIONED THAT PART OF THE HIGHER EXPORT EARNINGS
IS ATTRIBUTABLE TO UNUSUALLY HIGH WORLD PRICES FOR POTATOES.
COMMENT: CYPRIOT FARMERS WHO GREW POTATOES IN 1976
MAY SWITCH TO OTHER CROPS NOW CARRYING HIGHER PRICES, INCLUDING
WINTER VEGETABLES. END COMMENT. NOTE: 1973 FIGURES IS FOR
ENTIRE ISLAND WHILE 1975 AND 1976 FIGURES ARE FOR GREEK CYPRIOT
PART OF ISLAND ONLY.

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

2. SECOND (EMERGENCY) ECONOMIC ACTION PLAN FOR YEARS 1977-78:

(A) ORDINARY BUDGET FOR 1977 CALLS FOR EXPENDITURES OF CP74.3M (UP FROM 1976 ESTIMATE OF CP65.4M). DEVELOPMENT BUDGET FOR 1977 PLANS TO SPEND CP25.2M (1976 ESTIMATE IS CP24.4M). COMMENT: DEVELOPMENT BUDGET DOES NOT INCLUDE EXPENDITURES OF CYPRUS DEVELOPMENT BANK, SPECIAL CENTRAL BANK FUND, OR CAPITAL EXPENDITURES OF SEMI-GOVERNMENT ORGANIZATIONS SUCH AS RADIO AND TELEVISION, ELECTRICITY AUTHORITY, TELEPHONE COMPANY, OR PORTS AUTHORITY. END COMMENT.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 NICOSI 00536 02 OF 02 241741Z
ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 SSO-00 NSCE-00 USIE-00
INRE-00 SP-02 AID-05 NSC-05 CIEP-01 TRSE-00 SS-15
STR-04 OMB-01 CEA-01 L-03 H-01 PM-04 CIAE-00 COME-00
FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01
PA-01 PRS-01 /098 W
----------241803 030458 /53
O R 241645Z FEB 77
FM AMEMBASSY NICOSIA
TO SECSTATE WASHDC IMMEDIATE 5373
INFO AMEMBASSY ATHENS
AMEMBASSY ANKARA
AMEMBASSY LONDON
USMISSION GENEVA
DIA WASHDC

LIMITED OFFICIAL USE SECTION 2 OF 2 NICOSIA 0536

STATE PASS AID NESA BUREAU

(B) TARGET RATE OF GDP INCREASE FOR 1977 AND 1978 IS 6 TO 7 PER CENT ANNUALLY.

(C) ON ASSUMPTION THAT FOREIGN AID, TRANSFERS FROM ABROAD, AND FOREIGN LOANS CONTINUE AT A SATISFACTORY LEVEL, BALANCE OF PAYMENTS SITUATION IS EXPECTED TO BE MANAGEABLE AND AT END 1978 IS PROJECTED IN DEFICIT OF ONLY CP 3.6M.

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

COMMENT: UNEXPECTED 1976 BOP SURPLUS (SEE PARA. 1-B ABOVE)
DEMONSTRATES UNCERTAIN NATURE OF BOP PROJECTIONS. END COMMENT.

(D) CREATION OF 12,000 NEW JOBS OVER 1977-1978 PERIOD.
COMMENT: WITHOUT FULL TRANSLATION OF THE SPEECH WE CANNOT
COMMENT IN DEPTH ON ABILITY OF THE ECONOMY TO CREATE 12,000
NEW JOBS AS CALLED FOR IN GOC PROJECTIONS. EMBASSY VERY
MUCH DOUBTS, HOWEVER, THAT GREEK CYPRIOT ECONOMY CAN MAKE
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 NICOSI 00536 02 OF 02 241741Z

AVAILABLE 12,000 ADDITIONAL WORKERS UNLESS

(1) A CERTAIN NUMBER OF CYPRIOTS ABROAD RETURN TO THE ISLAND,
(2) NATION GUARD MANPOWER REQUIREMENTS ARE REDUCEDN OR

(3) NUMBER OF EMPLOYED HOLDING MORE THAN ONE JOB INCREASES.

WE CAN SEE THAT ROOM EXISTS FOR JOB
UPGRADING IN CERTAIN SECTORS, AND THUS CREATION OF
SOME NEW JOBS IS LIKE LY TO OCCUR. EMBASSY PREDICTS, HOWEVER,
TIGHT LABOR SITUATION IN THE SOUTH WILL NOT EASE AND INSTEAD
MAY WORSEN IN 1977-1978 PERIOD.

3. GENERAL TONE OF BUDGET SPEECH WAS OPTIMISTIC. MINISTER
SAID THE GOVERNMENT'S (SECOND ECONOMIC) PLAN HAS MET WITH
CONSIDERABLE SUCCESS BUT WENT ON TO REMIND THE AUDIENCE THAT
ECONOMIC PROBLEMS CAUSED BY THE EVENTS OF 1974 HAVE NOT ALL
BEEN SOLVED. SPEECH STRESSED GOVERNMENT'S PLAN TO EMPHASIZE
UPGRADING OF GENERAL ECONOMY AND TO RAISE STANDARD OF LIVING
IN ALL SECTORS. ON SUBJECT OF MIGRATION OF LABOR, THE
MINISTER UNDERSCORED PREVIOUSLY ANNOUNCED GOC RESTRICTIONS
ON CYPRIOTS GOING OVERSEAS FOR EMPLOYMENT (SEE REF. D).
SPEECH ENDED WITH A CALL FOR STABLE INDUSTRIAL RELATIONS
AND WAGE AND PRICE RESTRAINTS FOR LABOR AND EMPLOYERS
RESPECTIVELY.

4. EMBASSY WILL POUCH FULL TEXT WHEN TRANSLATION IS COMPLETED.

5. DECONTROL DECEMBER 31, 1977.
CRAWFORD

LIMITED OFFICIAL USE

NNN

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TEXT, GOVERNMENT BUDGET, ECONOMIC CONDITIONS, SPEECHES
Control Number: n/a
Copy: SINGLE
Sent Date: 24-Feb-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977NICOSI00536
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770064-0737
Format: TEL
From: NICOSIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770213/aaaaaloq.tel
Line Count: 214
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: f264c1bf-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 NICOSIA 2744, 75 NICOSIA A-43, 76 NICOSIA A-62, 76 NICOSIA 3711
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 12-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3241274
Secure: OPEN
Status: NATIVE
Subject: BUDGET SPEECH FOR 1977 AND PROJECTIONS ON SECOND ECONOMIC PLAN 1977-1978
TAGS: ECON, ELAB, CY, (PATSALIDIS, ANDREAS)
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/f264c1bf-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009